

Message Text

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PAGE 01 CAIRO 10492 111006Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----079833 112136Z /61
R 110958Z APR 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7821
INFO AMEMBASSY JIDDA

C O N F I D E N T I A L CAIRO 10492

EXDIS

E.O. 11652: N/A
TAGS: BEXP, ETEL, EG
SUBJ: WESTERN ELECTRIC CORPORATION PLANS OPERATIONS
- IN EGYPT

1. JOSEPH MERCHEP, VICE PRESIDENT FOR INTERNATIONAL OPERATIONS OF WESTERN ELECTRIC CORPORATION, CALLED ON AMBASSADOR AUGUST 10 TO DISCUSS COMPANY'S PLANS FOR FUTURE OPERATIONS IN EGYPT. MERCHEP SAID FIRM INTENDED WORK WITH CONTINENTAL TELEPHONE AND GENERAL TELEPHONE AND ELECTRONICS (GTE) TO PUT TOGETHER AN "AMERICAN PACKAGE" FOR THE IMPROVEMENT OF EGYPT'S TELECOMMUNICATIONS SYSTEM. PACKAGE WOULD BE BASED ON RECOMMENDATIONS OF TELECOMMUNICATIONS STUDY NOW BEING CONDUCTED BY CONTINENTAL UNDER AID-FINANCED CONTRACT, AS WELL AS ON SEPARATE TECHNICAL STUDY WHICH WESTERN ELECTRIC HAS BEEN WORKING ON FOR SOME MONTHS. INCLUDED WILL BE PROPOSALS DEALING WITH MANAGEMENT OF TELECOMMUNICATIONS SYSTEM AND WITH REQUIREMENTS FOR EQUIPMENT AND NEW CONSTRUCTION. TO ASSIST IN DEVELOPMENT OF EGYPTIAN MARKET, MERCHEP SAID, WESTERN ELECTRIC PLANNED OPEN PERMANENT OFFICE IN CAIRO.

2. MERCHEP TOLD AMBASSADOR THAT SAUDI BUSINESSMAN ADNAN KASHOGGI HAD BEEN INVITED TO PARTICIPATE IN ARRANGE-
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MENTS BEING MADE BY THE THREE U. S. TELEPHONE COMPANIES. KASHOGGI'S ROLE A PARENTLY WILL BE TO REPRESENT AMERICAN GROUP IN DEALINGS WITH THE EGYPTIANS (MERCHEP INDICATED THAT HE EXPECTED EUROPEAN AND JAPANESE COMPETITORS TO OFFER SIMILAR PROPOSALS FOR IMPROVEMENT OF EGYPTIAN SYSTEM) AND HELP SECURE ARAB FUNDING FOR IMPLEMENTATION OF THE PROPOSALS PUT FORWARD SO THAT FINANCING CAN BE

OFFERED TO EGYPTIANS AS PART OF PACKAGE.

3. AMBASSADOR TOLD MERCHEP HE HAD UNDERSTOOD FROM A RECENT CONVERSATION THAT KASHOGGI WAS INTERESTED IN TELECOMMUNICATIONS PLANS BEING MADE BY WESTERN ELECTRIC, BUT AMBASSADOR DID NOT KNOW UNTIL MERCHEP'S PRESENTATION THAT U. S. FIRM HAD IN FACT MADE ARRANGEMENT WITH THE SAUDI BUSINESSMAN. AMBASSADOR SAID HE UNDERSTOOD THAT KASHOGGI HAD SEEN PRESIDENT SADAT PREVIOUS DAY; MERCHEP INDICATED WESTERN ELECTRIC GROUP HAD WANTED KASHOGGI TO DISCUSS MATTER WITH PRESIDENT.

4. MERCHEP MENTIONED PLANNED VISIT TO EGYPT AND MIDDLE EAST OF CHAIRMAN DE BUTTS OF AMERICAN TELEPHONE AND TELEGRAPH, PARENT COMPANY OF WESTERN ELECTRIC. AMBASSADOR SUGGESTED THAT QUESTION OF APPOINTMENT FOR DE BUTTS WITH PRESIDENT SADAT BE TAKEN UP WITH AMBASSADOR GHORBAL IN WASHINGTON. MERCHEP REPLIED THIS CONTACT HAD ALREADY BEEN MADE. AMBASSADOR EXPRESSED WILLINGNESS OF EMBASSY ASSIST IN ANY APPROPRIATE WAY IN CONNECTION WITH DE BUTT'S VISIT.

5. COMMENT: TELECOMMUNICATIONS IS CERTAIN TO BE AN AREA OF SIGNIFICANT MARKET POTENTIAL FOR U. S. FIRMS IN EGYPT OVER NEXT SEVERAL YEARS, AND WESTERN ELECTRIC GROUP APPEARS BE PUTTING ITSELF IN POSITION TO TAKE ADVANTAGE
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OF OPPORTUNITIES PRESENTED. MERCHEP EXPRESSED CONSIDERABLE CONCERN ABOUT MAINTAINING CONFIDENTIALITY OF INFORMATION ABOUT AMERICAN GROUP'S PLANS IN EGYPT. HE ASKED THAT SUBSTANCE OF DISCUSSION WITH AMBASSADOR BE CLOSELY HELD.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OPENING OF OFFICES, ELECTRICAL INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 11 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO10492
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780156-0262
Format: TEL
From: CAIRO
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780472/aaaacisl.tel
Line Count: 99
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e44f20b3-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3014120
Secure: OPEN
Status: NATIVE
Subject: WESTERN ELECTRIC CORPORATION PLANS OPERATIONS - IN EGYPT
TAGS: BEXP, ETEL, EG, WESTINGHOUSE ELECTRIC CORP
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e44f20b3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014